South African Active/Passive Barometer

Full-Year 2025 Edition

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Introduction

The Morningstar Active/Passive Barometer is a report that measures the performance of active funds against passive peers in their respective Morningstar Categories.

The Active/Passive Barometer uses unique ways to measure active managers' success:

- It evaluates active funds against a composite of actual passive funds—not versus a costless index. In this way, the benchmark reflects the actual, net-of-fee performance of the passive funds available to investors.
- It assesses active funds based on their beginning-of-period category classification to better simulate the funds an investor would have chosen at the time.
- It considers how the average unit of currency invested in various types of active funds has fared versus the average unit of currency in passive funds.

Morningstar publishes the Active/Passive Barometer across regions. This report is the South African edition of the Active/Passive Barometer, and reviews the results for qualifying South African categories and selected Global categories, with insights from other regional Morningstar publications.

All told, the Active/Passive Barometer is a useful tool that can help investors calibrate the odds of succeeding with active funds in different areas based on recent trends and longer-term history.

We include historical active funds' success rates in our analysis. This provides valuable insights into how active managers have navigated market events in the past and how this affected their short- and long-term performance.

Key Takeaways – Equity Categories

- The year 2025 was a veritable year of two halves. The first half saw equity markets shaken by the uncertainty created by the tariff-based trade policy of the Trump administration, only to rebound in the second half, aided by the signing of several trade agreements. The one thing that prevailed throughout was the perception that having too much exposure to US assets was no longer desirable, not least considering the weakening of the US dollar. Indeed, the US Dollar Index fell by 9.4% in 2025, and its downward trend spilt over into the beginning of 2026. The fund flows picture for 2025 told the story of a rebalancing of portfolios away from US equity, mainly onto European and emerging-markets equity markets and with investors showing a clear preference for passive options.

- The South African equity market delivered strong returns in 2025, but those returns were heavily concentrated. A handful of gold and platinum miners accounted for the bulk of the calendar year's return, and their outsized performance saw them grow to represent an increasingly larger component of local market indices. Against this backdrop of narrow market leadership, active managers struggled to keep pace with passive strategies tracking market indices. The one-year success rate for active managers in the South Africa equity category fell sharply to 10.1% at the end of 2025, marking a steep decline from the 84.2% success rate seen a year earlier. Over the past decade, the success rate is now a disappointing 12.9% for the category.

- The US equity market rebounded in the second half of 2025. However, the weaker US dollar continued to weigh on sentiment, and 2025 ended with US stocks underperforming non-US stocks for the first time in several years. Concentration remained a hot topic even though the impact of the Magnificent Seven (Alphabet, Amazon.com, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) on the performance of the US stock market was more muted than in previous years. The environment provided more fertile ground for active global equity managers, where the one-year success rate for active managers in the global large-cap blend category was 37.8% at the end of 2025, up from 14.4% a year earlier. Over 10 years, the success rate in this category is routinely one of the lowest. It stood at 3.7% at the end of 2025.

- Emerging-markets equities found support on the weaker US dollar, but their performance was also aided by the good run of key technology companies in markets like Korea and Taiwan. Sentiment was aided by the easing of tensions between China and the US on the issue of tariffs, although Chinese equities lost ground in the last quarter of 2025 on weak domestic data. The one-year success rate for active managers in the global emerging-markets equity category was 49.6%, up from 30% in June and 32.8% at the close of 2024. Over the 10-year period, the success rate stood at 19.6%, underscoring that this is an area where active managers typically have more levers to pull relative to developed equity markets.

- The South African listed property sector delivered a strong showing in 2025, and this strength was reflected in active managers' results. The one-year success rate for active South African property managers was 48.0% in 2025, an improvement from the 34.7% success rate of 2024. Over the 10-year period active managers have fared even better, where the success rate of 62.8% indicates that a majority of managers have added value relative to passive counterparts. This level of success compares favourably with the results of active managers in the global listed property category, where the ten-year success rate of 19.4% indicates a more challenging environment for active managers abroad.

Key Takeaways – Fixed Income Categories

- In bond markets, despite falling interest rates, long-dated bond yields stayed elevated in most regions due to concerns about heavy fiscal burdens. Dynamics at the shorter end of the maturity spectrum were driven by monetary policy moves, leading in most cases to steeper yield curves. Corporate bond spreads remained tight overall, reflecting strong demand and solid fundamentals. But there was a preference for quality as measured in terms of credit ratings, both in the investment-grade and high-yield segments. All this created the conditions for active managers to add value via duration management and sector calls.

- The South African bond market delivered its strongest calendar year performance since 1999, as a broad-based decline in yields supported exceptional returns in 2025. Improved expectations for fiscal consolidation, the lowering of the inflation target to 3%, and a supportive global environment all contributed to a meaningful rally across the yield curve. Active managers in the South African diversified bond category were again competitive in this backdrop. The one-year success rate for 2025 was 57.6%, broadly in line with the 56.9% recorded the year before. Longer term results are similarly favourable, where active managers have generally demonstrated an ability to add value in a category where duration positioning and credit selection can play a meaningful role in driving outcomes.

- Duration management has been a key avenue for active managers of government bond strategies to add value in the past year. One-year success rates are high overall, irrespective of geographical focus. In the global government-bond category it stood at 64.8%, which was higher than it was a year earlier. At the close of 2025, the 10-year success rate in the global government-bond category stood at 50.0%.

- Active managers in the global corporate bond space had a more muted 2025 relative to the success they had enjoyed in recent years. The one-year success rate in the global corporate bond category came in at 20.0%, marking a material drop from the 62.2% success rate it enjoyed a year earlier. In any case, credit remains an area where active managers have more levers to pull relative to a standard index-tracking approach. Calls on duration, sector, or even individual companies can make a difference. Success rates in these categories tend to decrease over time due to the impact of higher fees compared with passive peers. At the close of 2025, the 10-year success rate in the global corporate bond category stood at 20.0%.

- Irrespective of asset class, the likelihood of a fund's survival is linked closely to its success rate. The primary reason most active funds falter is their short life span, often attributed to subpar performance. This typically stems from a combination of poor security selection and the compounded impact of higher fees compared with cheaper passive alternatives. And in fact, our analysis shows that active funds in the cheaper quintiles have higher odds of succeeding in the long run.

Key Figures

Active South African Managers' Outcomes

Exhibit 1. Active South Africa Equity Managers' 2025 Year-End Outcomes (%)

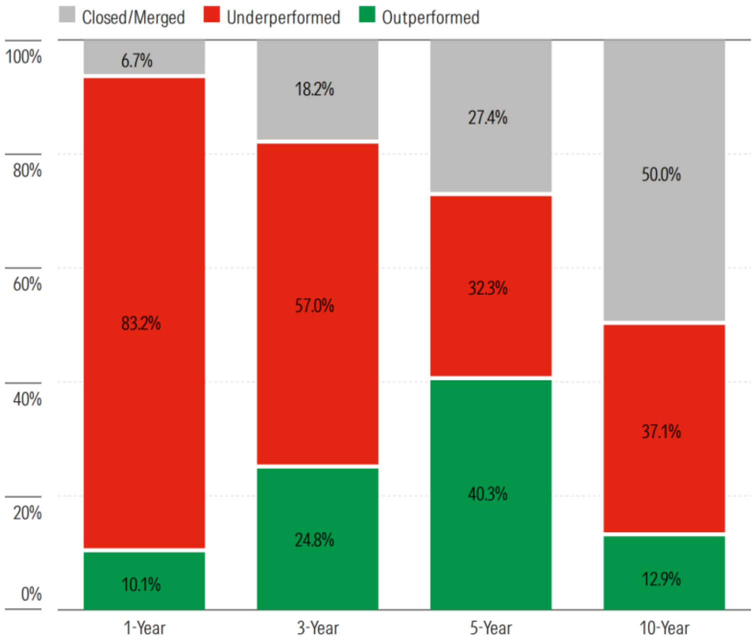


Exhibit 2. Active ZAR Diversified Bond Managers' 2025 Year-End Outcomes (%)

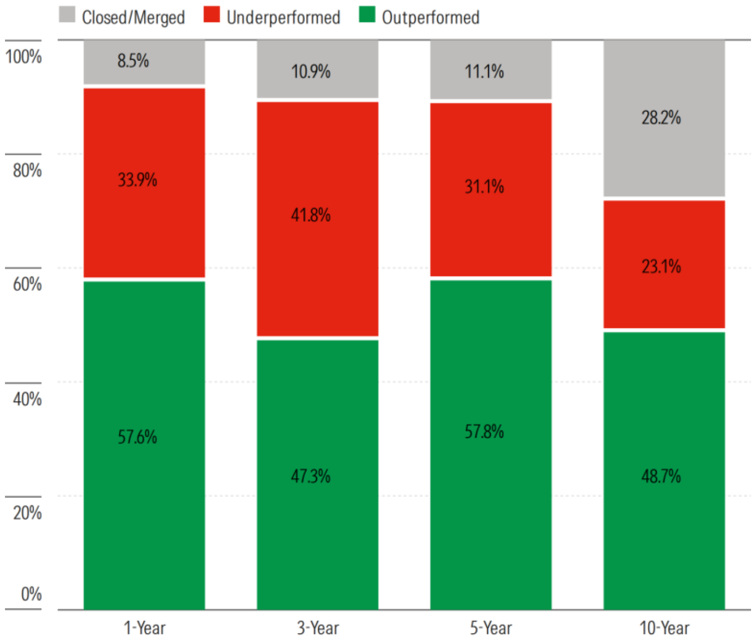
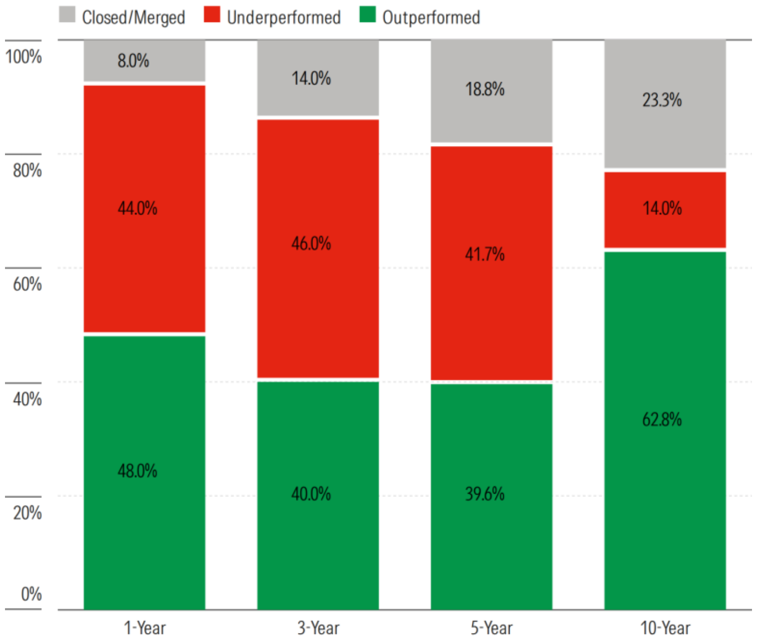


Exhibit 3. Active Property – Indirect South Africa Managers' 2025 Year-End Outcomes (%)



Source: Morningstar Direct. Data as of 31 December 2025.

Active Managers' Historical Success Rates by Category

Exhibit 4. Active South African Funds' Success Rate by Category (%)

Category	1-Year	3-Year	5-Year	10-Year
South Africa Equity	10.1	24.8	40.3	12.9
ZAR Diversified Bond	57.6	47.3	57.8	48.7
Property - Indirect South Africa	48.0	40.0	39.6	62.8

Exhibit 5. Active Global Funds' Success Rate by Category (%)

Category	1-Year	3-Year	5-Year	10-Year
Global Large-Cap Blend Equity	37.8	12.6	11.3	3.7
Global Large-Cap Value Equity	9.9	12.1	6.8	2.4
Global Emerging Markets Equity	49.6	39.0	29.0	19.6
Global Diversified Bond	54.8	43.3	19.6	13.9
Global Government Bond	64.8	52.1	48.8	50.0
Global Corporate Bond	20.0	43.9	36.6	20.0
Property - Indirect Global	27.1	26.2	9.0	19.4

Source: Morningstar Direct. Data as of 31 December 2025.

South African Categories

South Africa Equity Category

Exhibit 6. Rolling Success Rates for Surviving Active Funds (%)

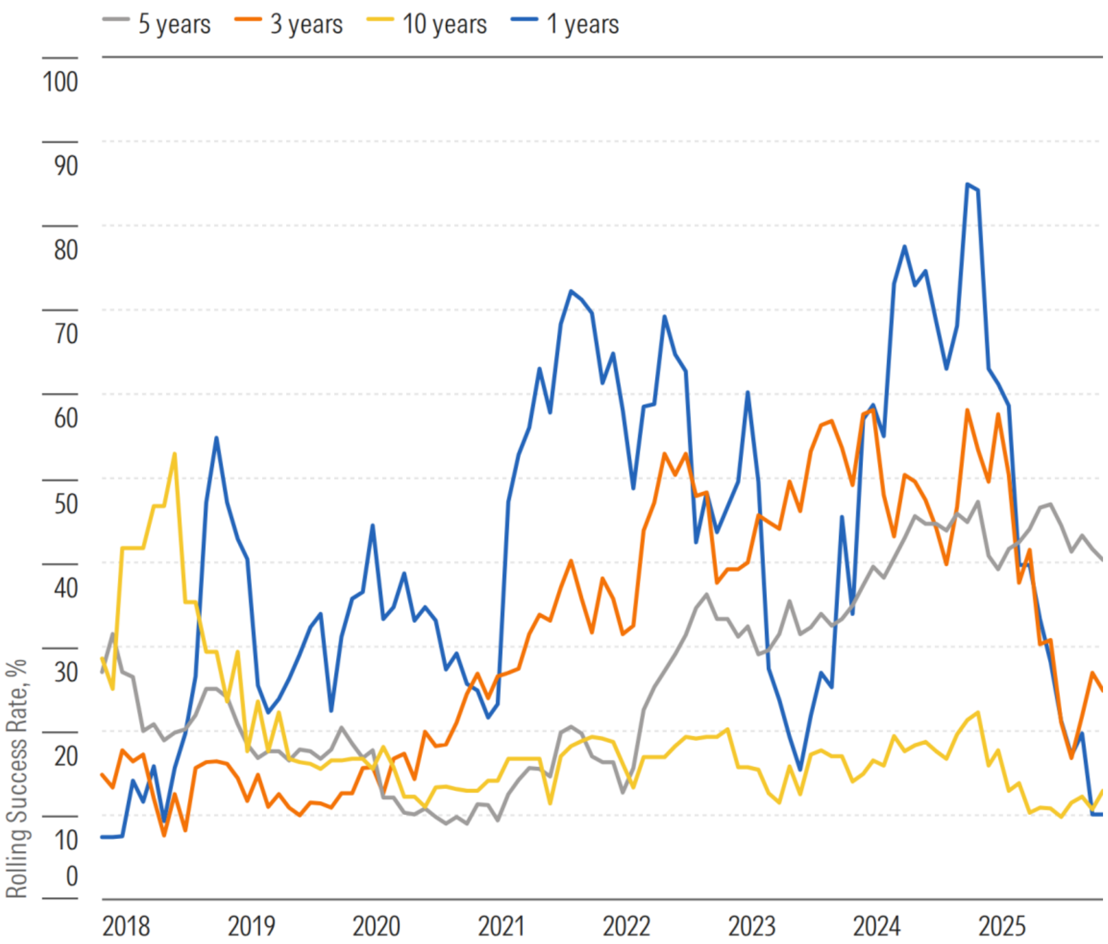
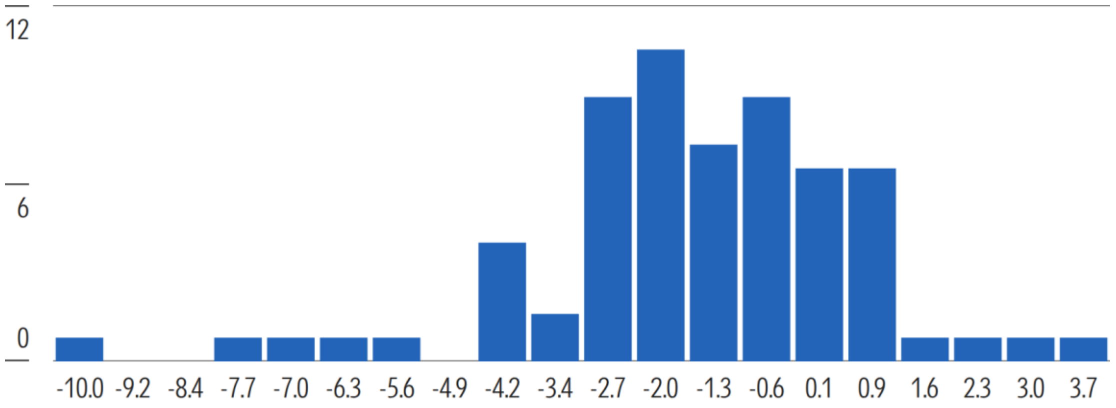


Exhibit 7. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	119	93.3	41	100.0	36.4	44.8	10.1
3-year	121	81.8	47	78.7	18.2	19.5	24.8
5-Year	124	72.6	52	65.4	17.7	17.5	40.3
10-Year	124	50.0	36	69.4	10.3	11.6	12.9

Exhibit 8. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

ZAR Diversified Bond Category

Exhibit 9. Rolling Success Rates for Surviving Active Funds (%)

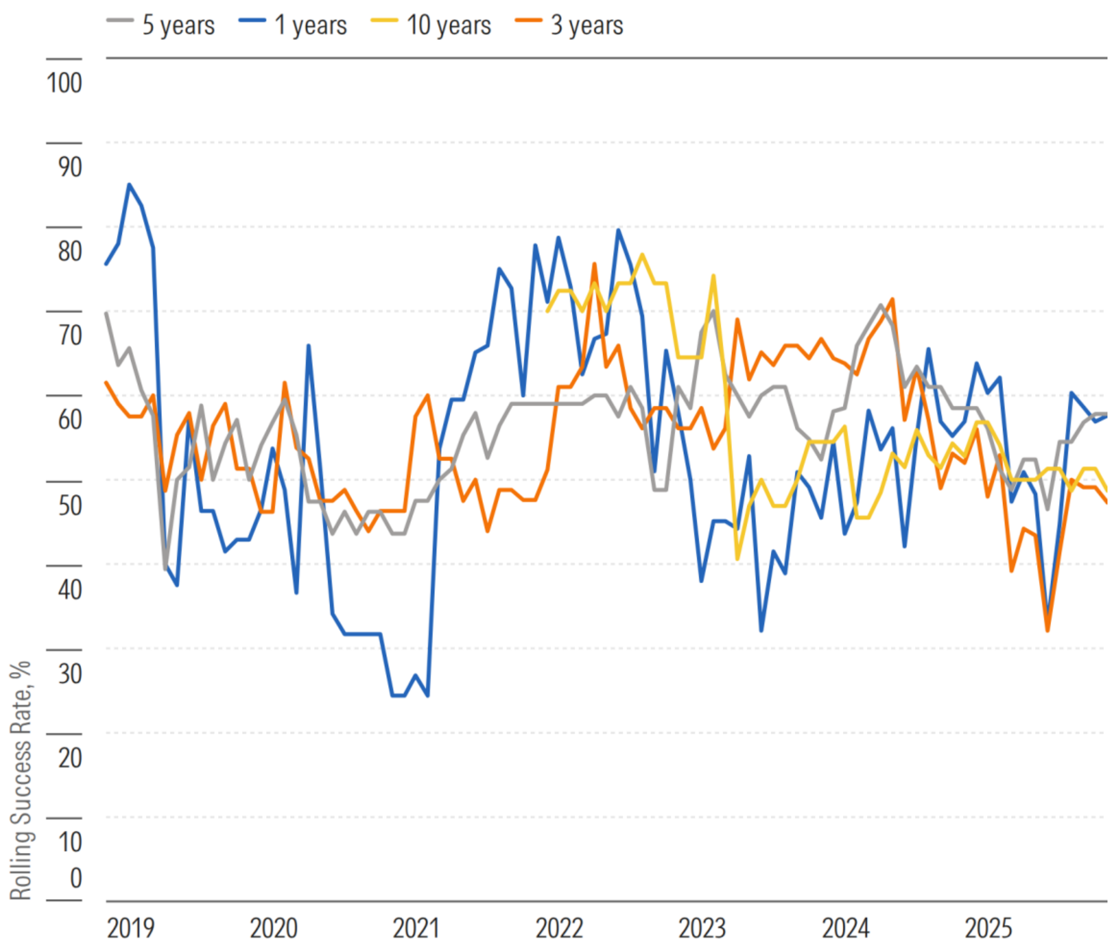
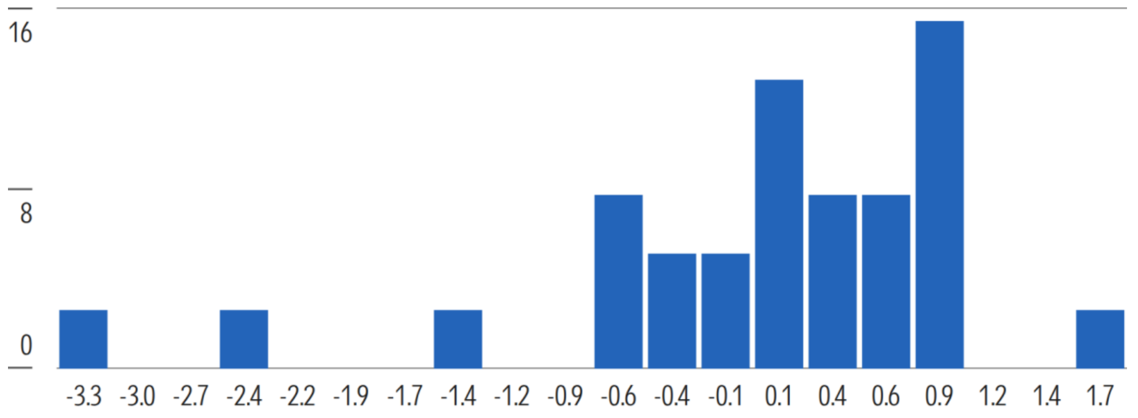


Exhibit 10. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	59	91.5	10	100.0	23.2	23.6	57.6
3-year	55	89.1	11	72.7	17.0	16.7	47.3
5-Year	45	88.9	8	62.5	12.7	12.3	57.8
10-Year	39	71.8	4	75.0	11.9	11.1	48.7

Exhibit 11. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Property – Indirect South Africa Category

Exhibit 12. Rolling Success Rates for Surviving Active Funds (%)

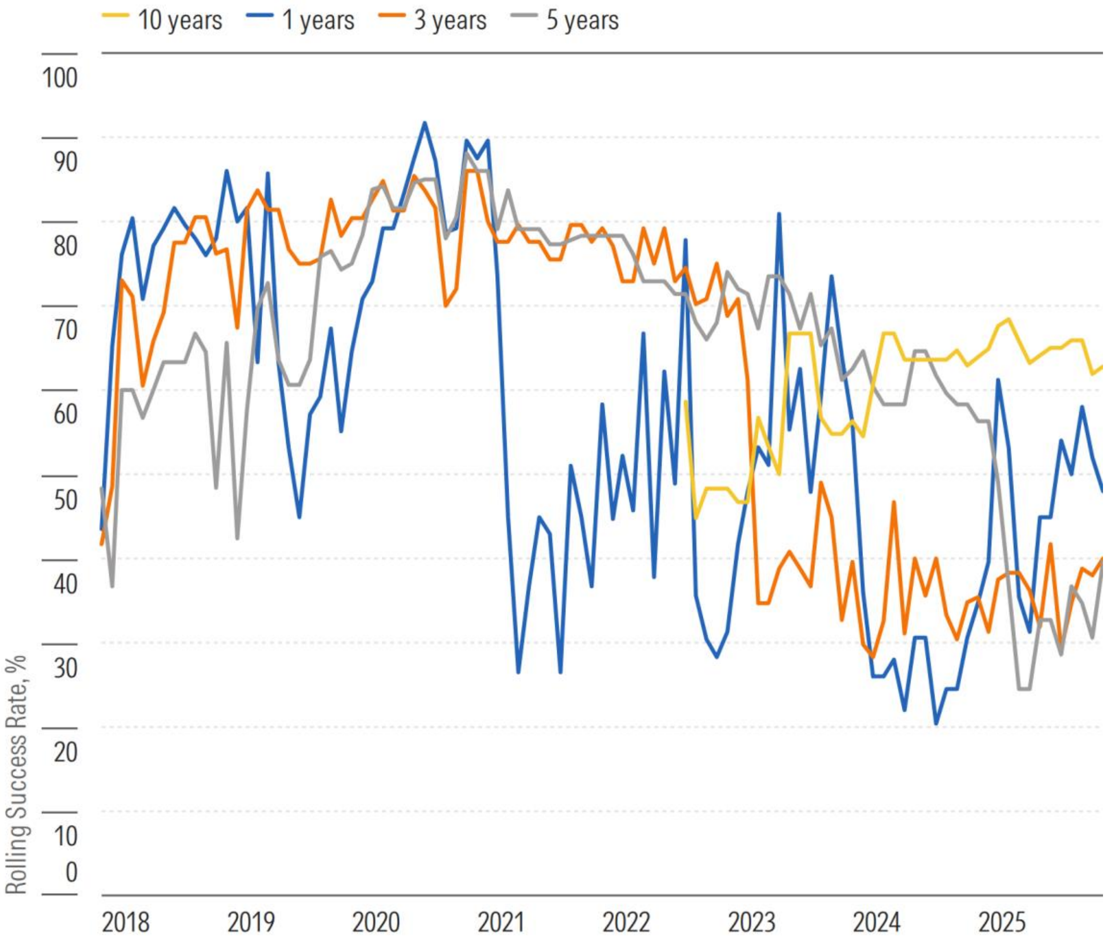
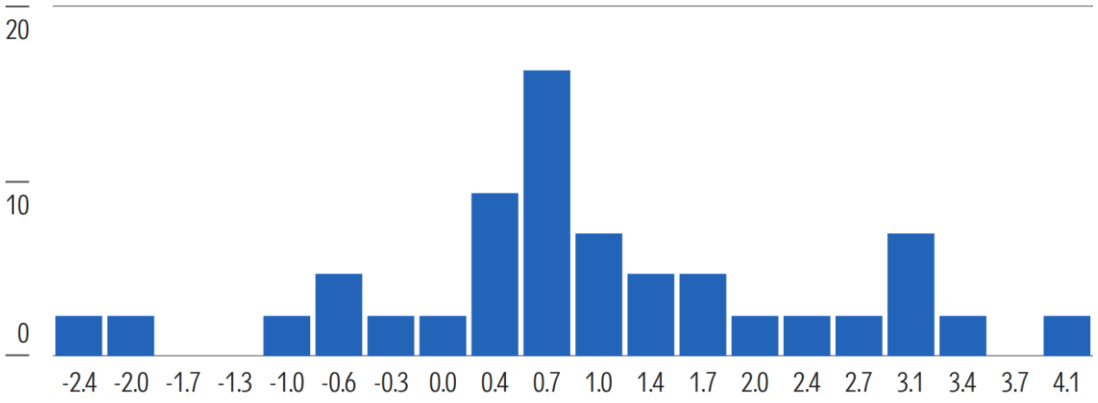


Exhibit 13. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	50	92.0	9	88.9	28.6	29.3	48.0
3-year	50	86.0	10	80.0	21.8	22.2	40.0
5-Year	48	81.3	9	77.8	19.7	19.9	39.6
10-Year	43	76.7	7	71.4	4.7	3.8	62.8

Exhibit 14. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Global Categories

Global Large-Cap Blend Equity Category

Exhibit 15. Rolling Success Rates for Surviving Active Funds (%)

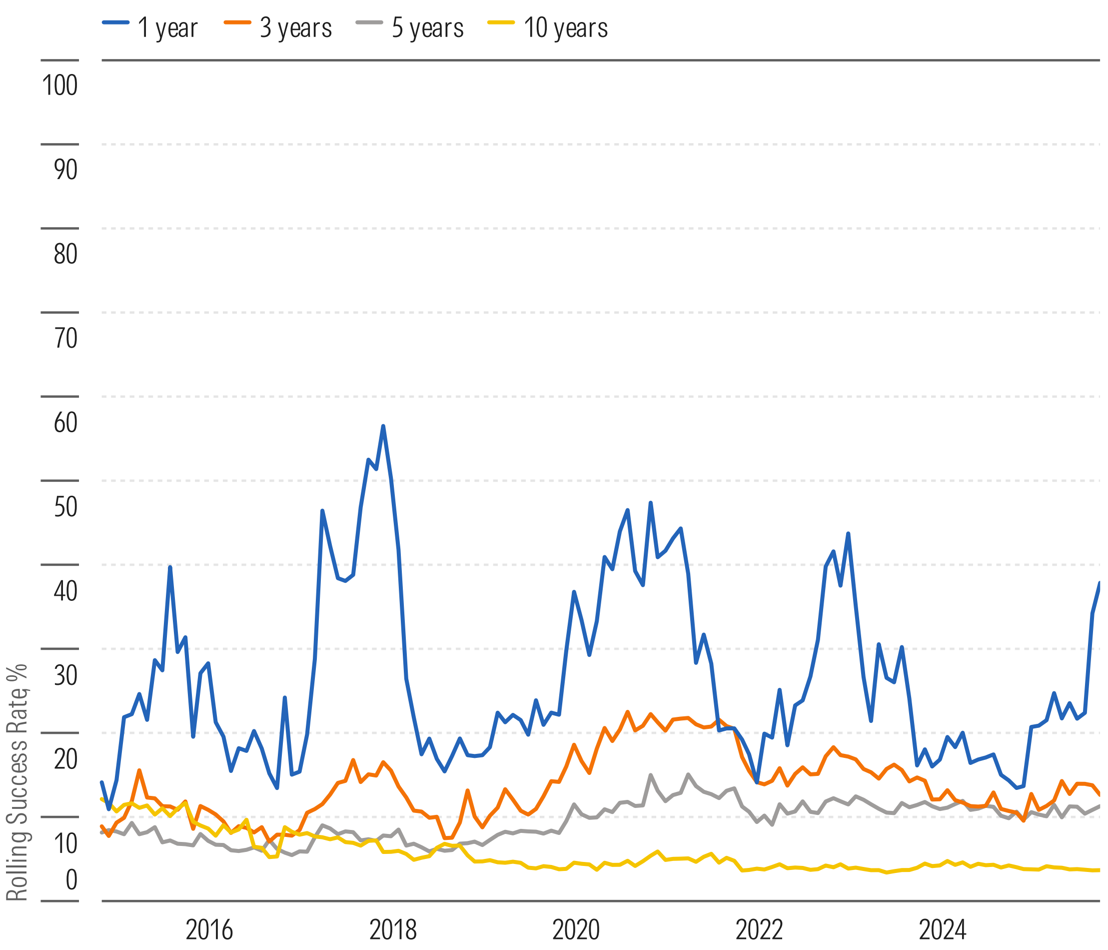
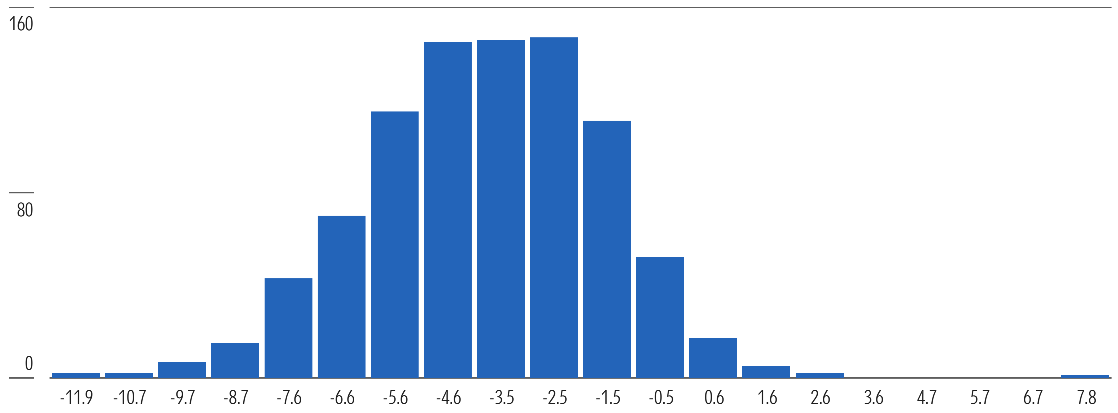


Exhibit 16. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	1,823	94.3	346	97.4	5.5	6.4	37.8
3-year	1,735	86.6	307	89.6	17.4	19.8	12.6
5-Year	1,550	79.4	250	86.8	12.8	14.5	11.3
10-Year	1,524	57.7	144	70.8	10.9	12.8	3.7

Exhibit 17. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Global Large-Cap Value Equity Category

Exhibit 18. Rolling Success Rates for Surviving Active Funds (%)

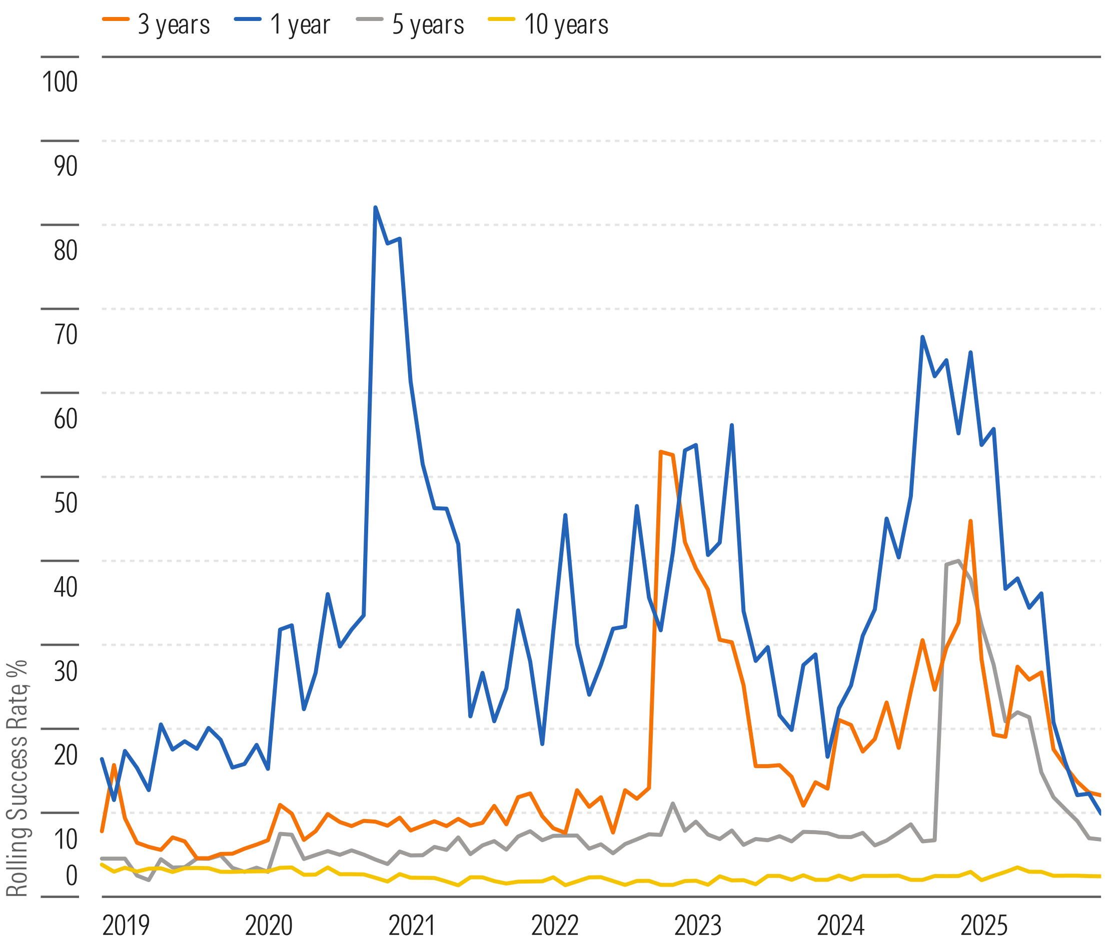
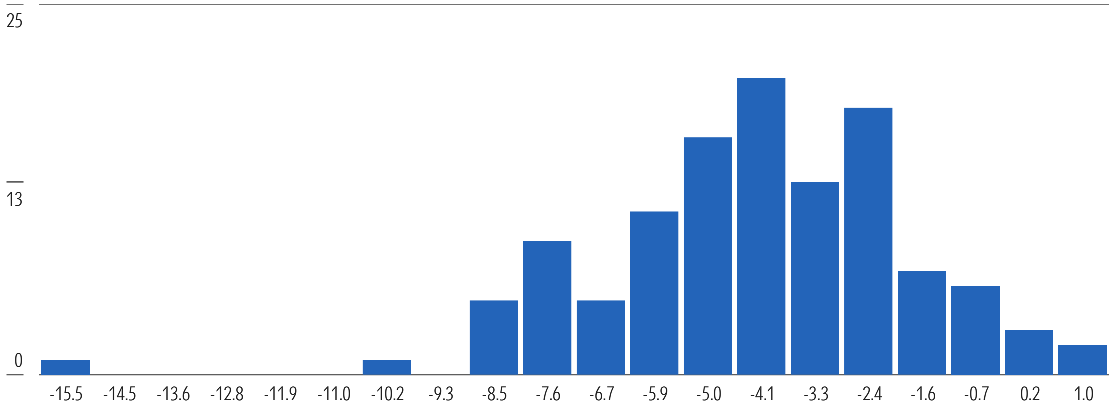


Exhibit 19. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	172	94.8	16	100.0	11.5	20.4	9.9
3-year	149	87.2	11	100.0	15.4	19.3	12.1
5-Year	132	83.3	10	90.0	11.7	16.5	6.8
10-Year	205	57.1	10	70.0	9.0	13.2	2.4

Exhibit 20. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Global Emerging Markets Equity Category

Exhibit 21. Rolling Success Rates for Surviving Active Funds (%)

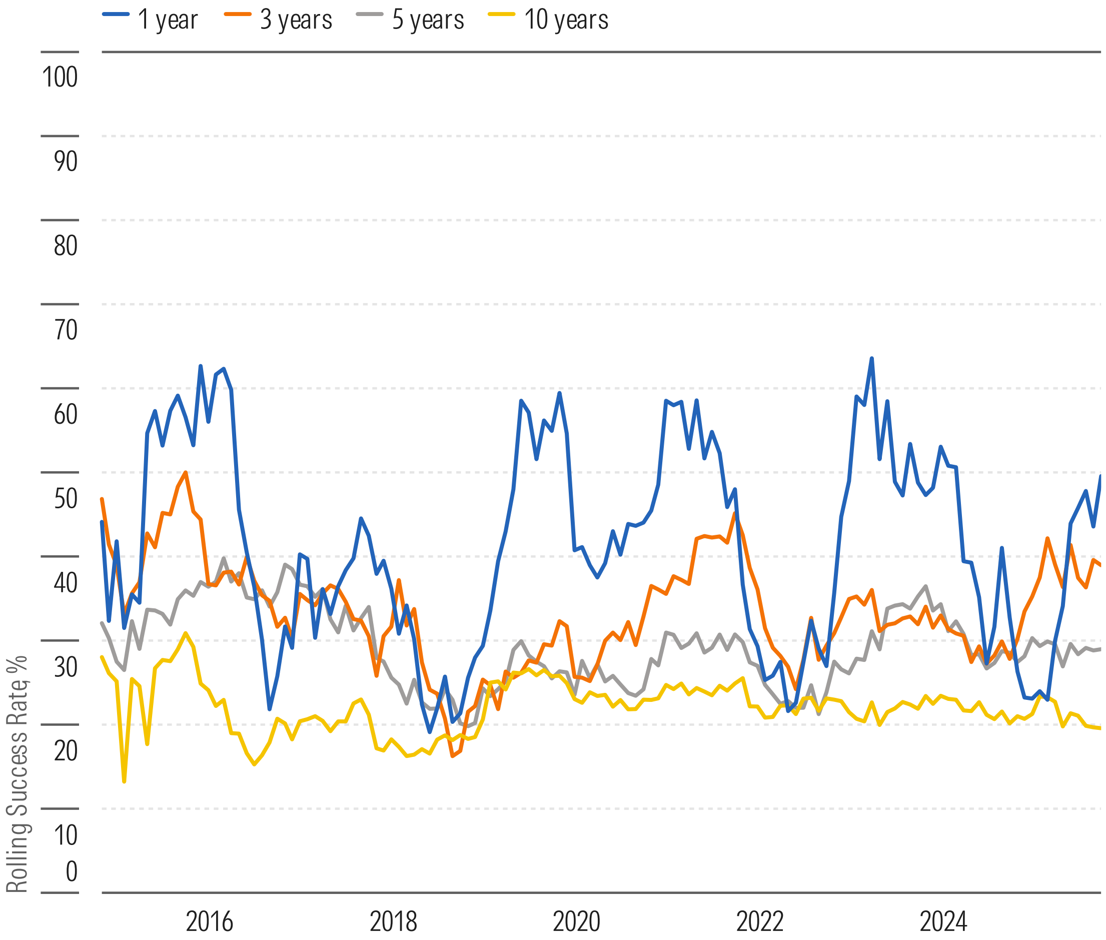
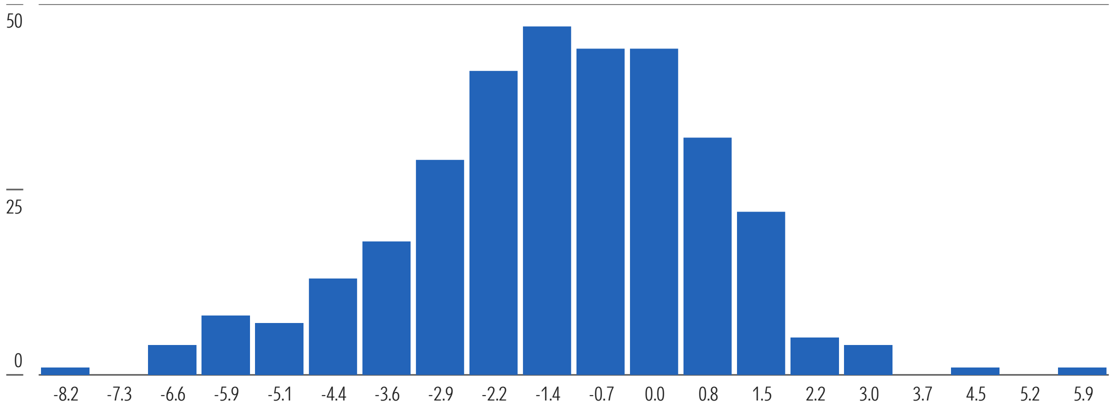


Exhibit 22. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	569	95.4	133	97.7	17.4	16.4	49.6
3-year	575	86.1	134	88.8	14.9	14.9	39.0
5-Year	573	79.1	111	84.7	5.6	6.6	29.0
10-Year	562	57.1	76	69.7	8.2	9.0	19.6

Exhibit 23. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Global Diversified Bond Category

Exhibit 24. Rolling Success Rates for Surviving Active Funds (%)

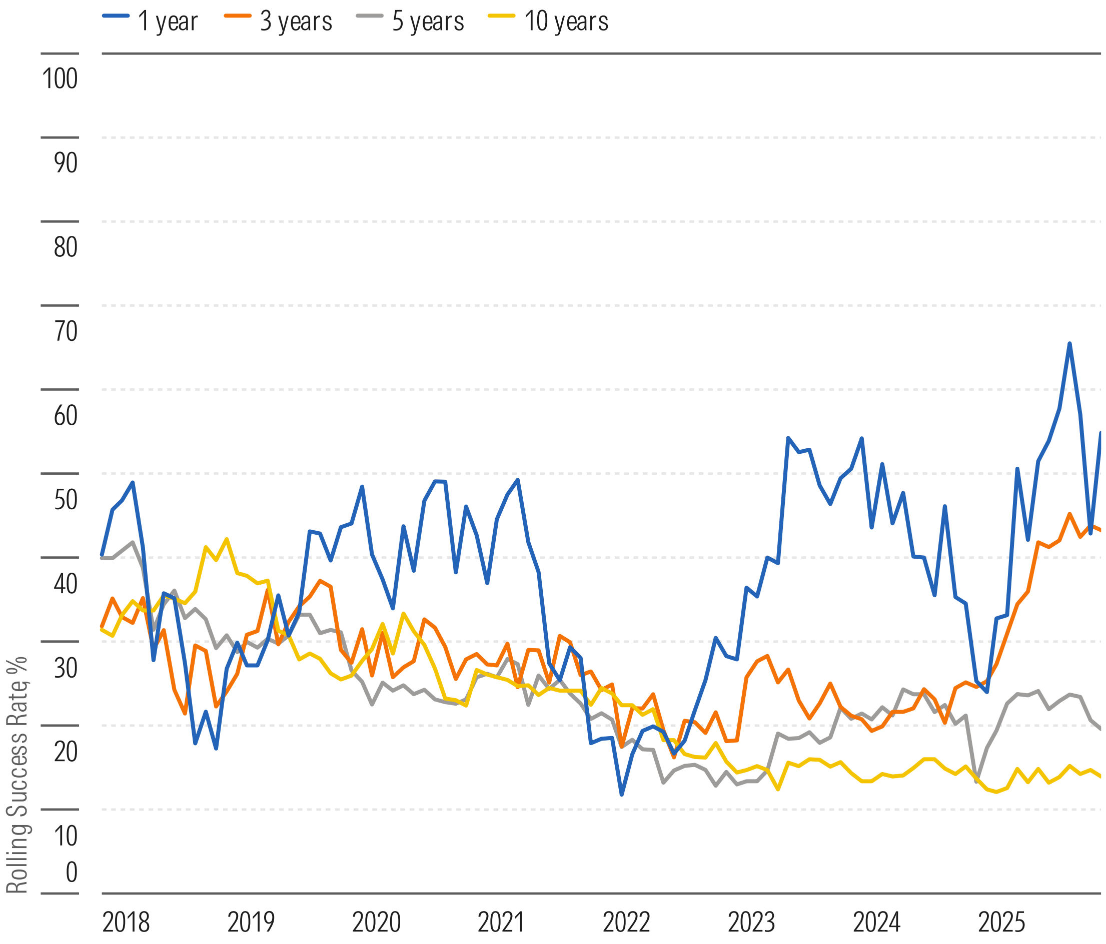
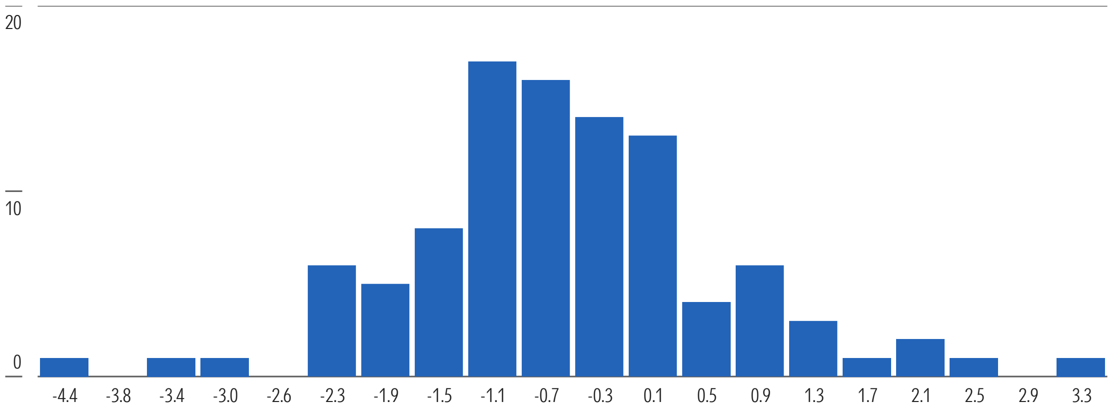


Exhibit 25. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	124	95.2	21	100.0	-4.6	-5.0	54.8
3-year	178	79.2	19	94.7	3.0	3.1	43.3
5-Year	189	63.5	16	81.3	0.0	0.9	19.6
10-Year	237	42.2	13	38.5	1.1	2.1	13.9

Exhibit 26. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Global Government Bond Category

Exhibit 27. Rolling Success Rates for Surviving Active Funds (%)

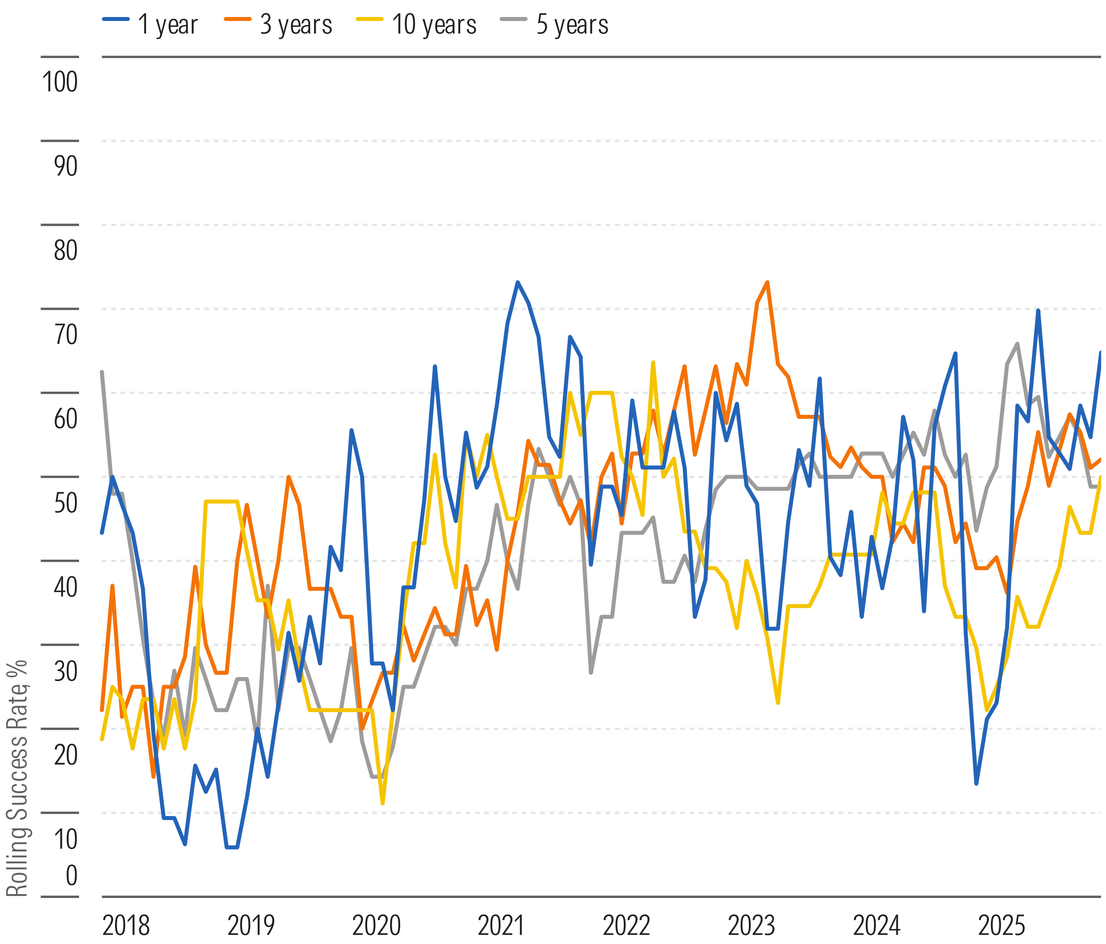
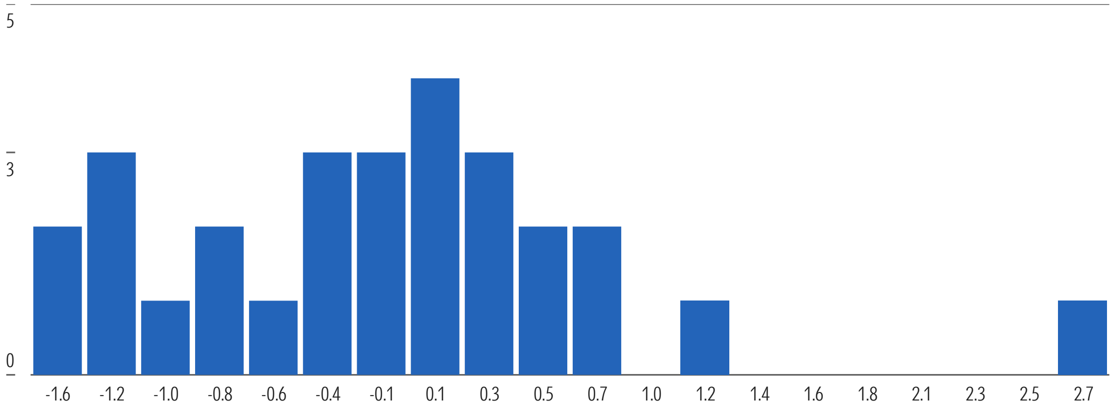


Exhibit 28. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	54	92.6	24	95.8	-3.9	-6.2	64.8
3-year	48	93.8	18	94.4	2.6	1.6	52.1
5-Year	43	95.3	16	100.0	-0.8	-1.3	48.8
10-Year	30	93.3	12	100.0	1.2	1.1	50.0

Exhibit 29. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Global Corporate Bond Category

Exhibit 30. Rolling Success Rates for Surviving Active Funds (%)

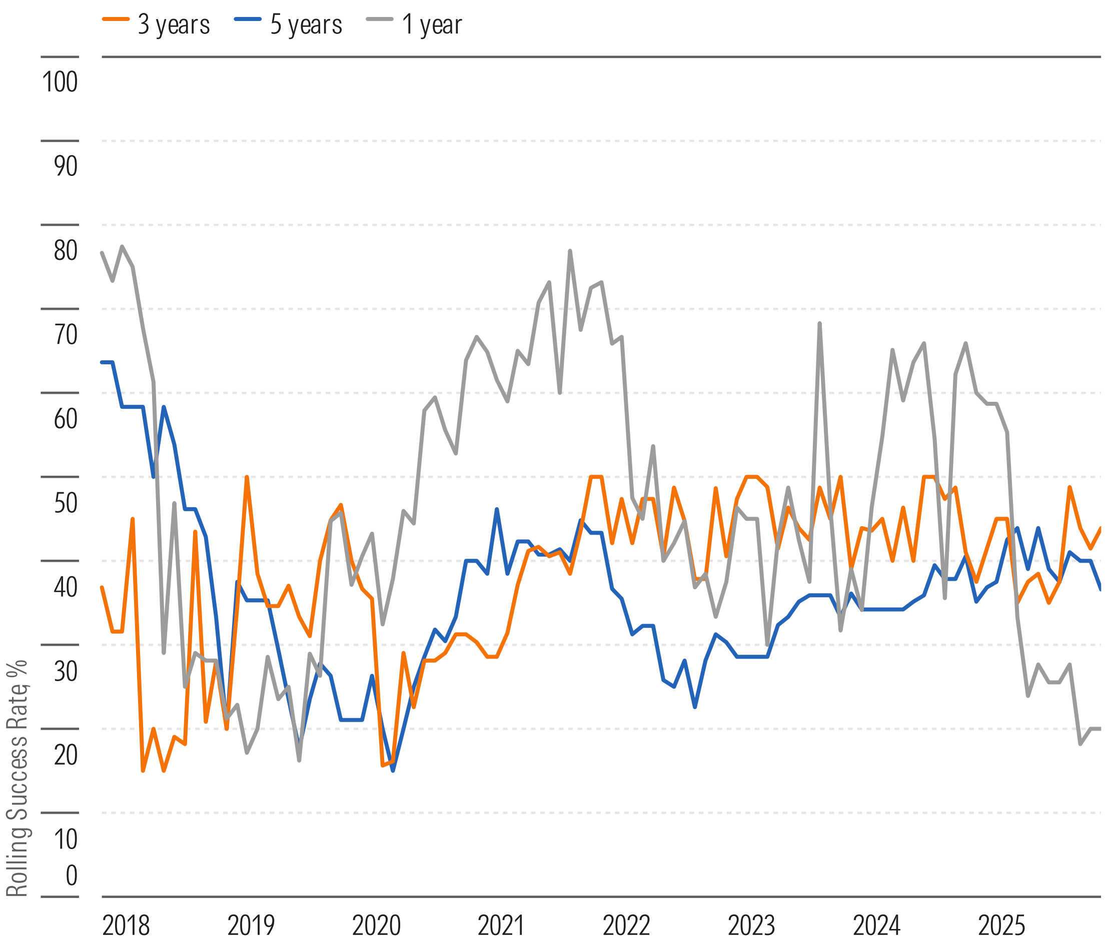
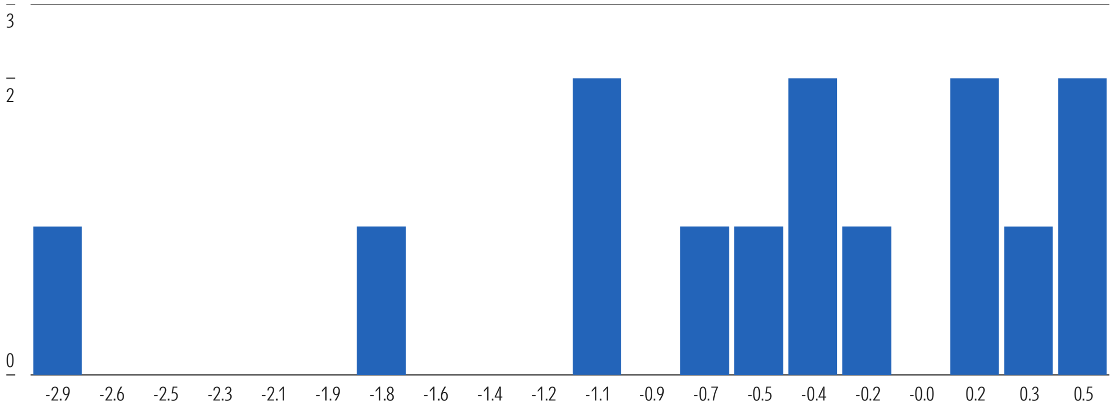


Exhibit 31. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	60	95.0	17	94.1	-2.2	-2.7	20.0
3-year	41	87.8	13	84.6	6.5	5.9	43.9
5-Year	41	70.7	10	80.0	1.6	2.0	36.6
10-Year	25	56.0	5	60.0	3.5	3.7	20.0

Exhibit 32. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Property – Indirect Global Category

Exhibit 33. Rolling Success Rates for Surviving Active Funds (%)

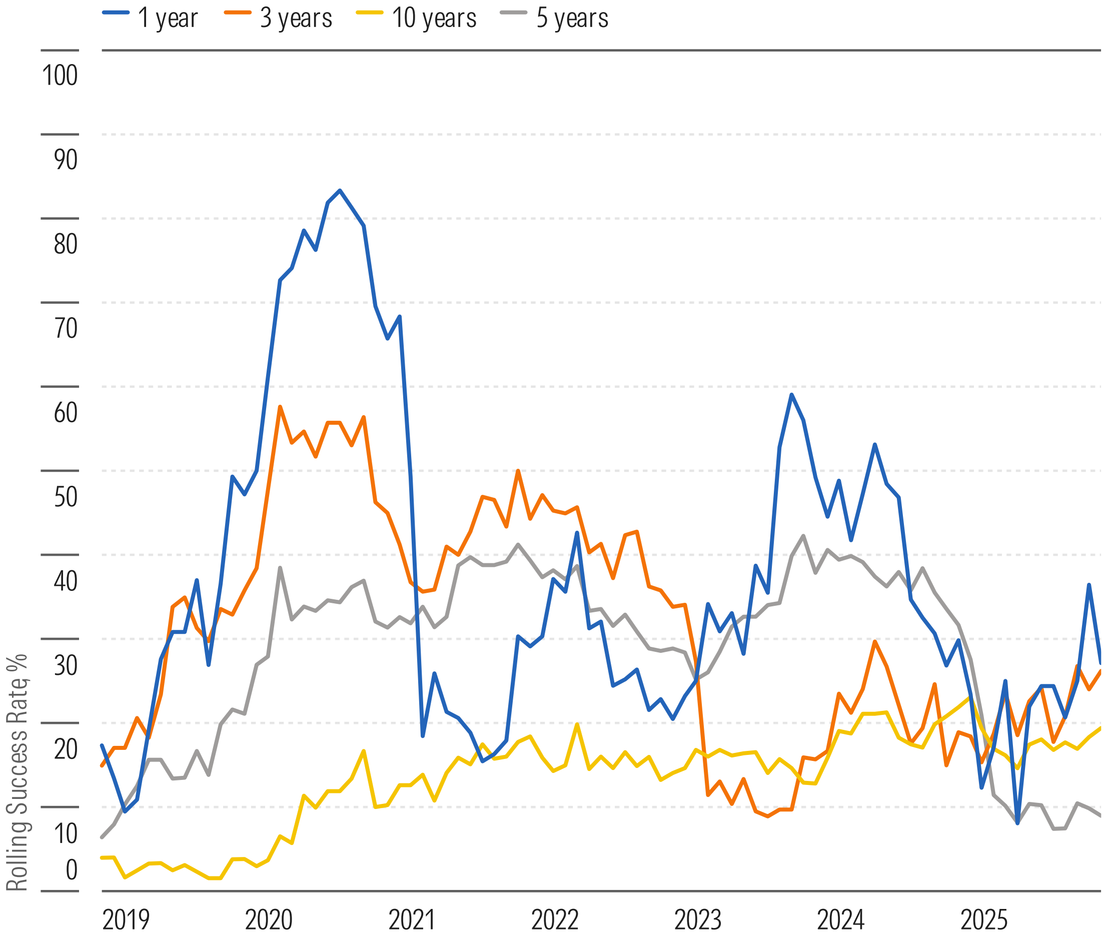
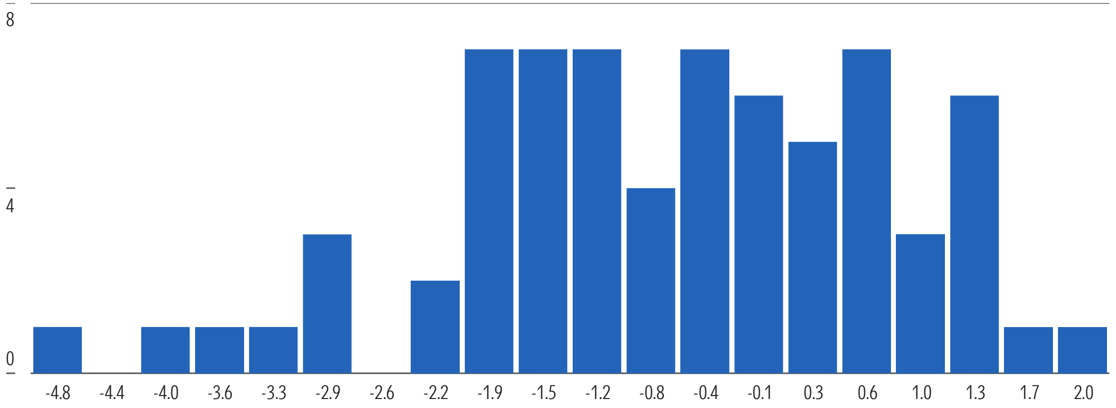


Exhibit 34. Survivorship, Performance, and Active Success Rate Data

Total Trailing Return	Active Funds at Beginning of Period	Active Funds Survivorship Rate (%)	Passive Funds at Beginning of Period	Passive Funds Survivorship Rate (%)	Asset-Weighted Performance Active	Asset-Weighted Performance Passive	Success Rate (%)
1-Year	118	90.7	35	100.0	-3.5	-3.6	27.1
3-year	126	75.4	33	78.8	1.8	5.8	26.2
5-Year	134	70.1	27	77.8	4.4	5.6	9.0
10-Year	134	52.2	15	73.3	3.5	4.1	19.4

Exhibit 35. Distribution of 10-Year Annual Excess Returns for Surviving Active Funds



Source: Morningstar Direct. Data as of 31 December 2025.

Methodology

Methodology

Data Source
Morningstar's EAA open-end and ETFs database.

Sample
All ETFs and open-end mutual funds in each Morningstar Category that exist at the beginning of the relevant periods (including funds that did not survive to the end of the period) define the eligible universe. To be included, the fund's inception date must precede the start of the period, and the obsolete date cannot predate the start of the period. The fund must also have available return data either for the entire period or up until its obsolescence. In addition, each fund must have available size data in the month prior to the start of the sample period (the beginning of the trailing one-, three-, five-, and 10-year periods) to facilitate asset weighting. The study is conducted monthly; however, some funds only report size data quarterly. When monthly size data is unavailable, the size from the previous calendar quarter-end is used as a proxy. We do not consider currency-hedged share classes in the study.

Aggregation From the Share Class to the Fund Level
To derive a single return figure for funds (identified by FundId) that have multiple share classes (identified by SecId), we compute the asset-weighted average of all share-class returns. If size data is unavailable for certain share classes, we first compute an equal-weighted return for those classes. Then, we incorporate available fund size data to aggregate returns at the fund level. For example, suppose a fund has a total size of 100 rands, with Class A accounting for 60 rands, while size data for Classes B and C is missing. If the return for Class A is 0.10, for Class B is 0.11, and for Class C is 0.12, the aggregated fund return is calculated as: [60 * 0.10 + (100 - 60) * (0.11 + 0.12) / 2]/100 = 0.106. Before aggregation, all returns and asset sizes are converted to rands.

Methodology

Passive Composite: Asset-Weighted Returns

The passive composite return series represents the returns of an asset-weighted, buy-and-hold portfolio comprising all passive funds within the category at the start of the sample period. Weighting is based on fund assets as recorded in the end of the month preceding the sample period. If a fund becomes obsolete during the sample period, its assets are redistributed among the remaining funds according to their initial weights. The passive composite return is calculated only when at least three passive funds have valid data at the start of the sample period.

Survivorship

To calculate survivorship, we divide the number of distinct funds that started and ended up the period in question by the total number of funds at the onset of the period in question (the beginning of the trailing one-, three-, five-, and 10-year periods).

Success Rate

The success rate at the category level represents the percentage of funds that began the sample period within a given Morningstar Category and went on to both survive and outperform the passive composite return for that category over the period. This approach differs from the convention of using a single representative index to gauge success. The magnitude of outperformance is not considered—a fund that marginally exceeds the benchmark is treated the same as one that significantly outperforms. Notably, any fund that closes during the event study window is automatically classified as "underperformed," regardless of whether its cumulative return was higher than the passive composite.

Risk Warnings

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